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October 2001

Bahrain

Bahrain produces only a modest quantity of oil, but has a strategic location in the Persian Gulf.

Note: The information contained in this report is the best available as of October 2001 and may change.



GENERAL BACKGROUND

Bahrain is a monarchy ruled by Shaikh Hamad Bin Issa Al-Khalifa, the Amir of Bahrain, who has been in power since March 1999. Geographically, the country is a group of islands off Saudi Arabia - close enough to be linked by a causeway which connects it to the mainland of the Arabian Peninsula.

In a ruling handed down in March 2001, the International Court of Justice resolved the territorial dispute between Bahrain and Qatar over the Hawar Islands and other neighboring islands. Sovereignty over the Hawar Islands was awarded to Bahrain, while Qatar retained the neighboring islands of Zubarah and Janan. The Hawar Islands are located directly to the north of Qatar's main onshore oilfield, Dukhan, which has raised interest in oil exploration

there now that the dispute has been resolved.

The country's economy depends heavily on the oil industry, but it also is an important center for financial services and banking. Oil prices affect Bahrain's economy both directly, as revenues, and indirectly, due to banking and export links to neighboring Persian Gulf countries which depend on oil revenues. Bahrain's economy was helped by the rise in oil prices in 1999 and 2000, and real gross domestic product (GDP) grew by 5.0% in 2000. Real GDP growth for 2001 is projected at 4.7%.

OIL

Bahrain has proven oil reserves of only 148 million barrels, all in one field - Awali. The Awali field was discovered in 1932, and was the first oilfield developed in the Persian Gulf. It currently is producing around 35,000 barrels per day (bbl/d) of crude oil. Production peaked at more than 75,000 bbl/d in the early 1970s, but the field is now nearing depletion. In May 2000, Bahrain awarded a two-year contract to CGG Corporation for a study of the future prospects of Awali. Both Texaco and Chevron are involved in exploration activity in Bahrain. Chevron holds a concession for areas offshore from Bahrain to the west and north of the island. Texaco is involved in exploration elsewhere in Bahrain, both onshore and offshore.

The main recent development for upstream oil development in Bahrain is the resolution of the Hawar Islands dispute with Qatar. The islands are located adjacent to Qatar's main onshore oilfield, which has generated interest in exploration now that Bahrain's ownership is clear, though initial survey data has been reported to be disappointing. Texaco and Petronas were awarded new exploration blocks offshore to the southeast of Bahrain in September 2001, which had been unawarded previously due to the boundary dispute with Qatar.

More important than crude oil production, however, is Bahrain's refining industry. The country has a refinery south of Manama with a capacity of 248,900 bbl/d. The Bahrain Petroleum Company (Bapco) refinery was built in 1936, and has since undergone several modernizations. An \$800-million modernization program was begun in 1998, and is scheduled to be completed in 2004. Several foreign firms are involved in various aspects of the work, including Alstom of France.

Apart from the small amount from Bahrain, crude oil processed at the Bapco refinery is from Saudi Arabia, and reaches Bahrain through a subsea pipeline. Saudi Arabia, as a support to Bahrain's economy, provides 140,000 bbl/d of output from its offshore Abu Safa field free of charge, and is paid for the rest. Bahrain exports most of the Bapco refinery's products.

The Bahraini government consolidated corporate structure of its state-owned petroleum sector in January 2000, merging the upstream Bahrain National Oil Company (Banoco) into Bapco. The physical merger of the divisions of the company is still in progress, and will be completed in 2002.

Bahrain also has provided official approval in 1999 for the proposed construction of a second 500,000 bbl/d refinery in Bahrain by the Saudi firm Petroma. While not formally cancelled, problems with arranging financing over the last two years have delayed the project.

NATURAL GAS

Bahrain has natural gas reserves of about 3.9 trillion cubic feet (Tcf), most of which consist of associated gas from the Awali oilfield. Bahrain produced 297 billion cubic feet (Bcf) of natural gas in 1999, all of which was consumed locally. Gas production and processing are the responsibility of the majority state-owned Bahrain National Gas Company (Banagas). Given Bahrain's demand for fuel for electric power generation, unless offshore reserves are located in the next few years, Bahrain will need to become a gas importer.

Qatar, which is planning to build a pipeline for export of gas to Kuwait, has had discussions with Bahrain about the possibility of connecting a Qatar-Kuwait pipeline to Bahrain. Discussions are continuing, and Bahrain is reportedly considering importing up to 1 Bcf per day through the pipeline. A feasibility study for the project was commissioned in mid-2001.

ELECTRICITY

Bahrain currently has an electric generating capacity of 1.1 gigawatts (GW), and produced 6.2 billion kilowatt hours (bkwh) in 1999. Driven by population growth, Bahrain's electric power consumption is growing at an annual rate of around 5%. Recent capacity expansion has centered on the Hidd power project. Phase One, built in 1999, added 280 megawatts (MW) of gas-fired generating capacity. The Phase Two expansion of the Hidd power project will add another 630 MW of gas fired capacity by

2004. A contract was awarded to Alstom in August 2001 for the construction of Phase Two.

Another priority is improving the country's transmission and distribution infrastructure. Contracts totalling about \$60 million were awarded to several foreign firms including Alstom, ABB, Fuji Electric, and Marubeni in March 2000 for upgrade work.

While the subject of privatization has been discussed, it is not expected that Bahrain will move toward privatization of its state-owned electric utility in the near future.

Sources for this report include: CIA World Factbook 2001; Dow Jones News Wire service; Economist Intelligence Unit ViewsWire; Gulf News; Hart's Middle East Oil and Gas; Middle East Economic Digest; Oil and Gas Journal; Petroleum Economist; Petroleum Intelligence Weekly; International Market Insight Reports; U.S. Energy Information Administration; WEFA Middle East Economic Outlook.

COUNTRY OVERVIEW

Head of State: Sheikh Hamad bin Issa al-Khalifa

Independence: August 15, 1971 (from United Kingdom)

Population (2001E): 645,361

Location/Size: Persian Gulf, 240 square miles

Major Cities: Manama (capital)

Languages: Arabic (English widely spoken)

Ethnic Groups: Bahraini Arab 63%, Asian 13%, other Arab 10%, Iranian 8%, other 6%

Religion: Shia Muslim 75%, Sunni Muslim 25%

Defense (8/98): Army (8,500), Navy (1,000), Air Force (1,500)

ECONOMIC OVERVIEW

Currency: Bahraini Dinar

Market Exchange Rate (10/01): 1 Bahraini Dinar = \$2.65 US

Nominal Gross Domestic Product (2000E): \$6.9 billion

Real GDP Growth Rate (2000E): 5.0% **(2001E):** 4.7%

Inflation Rate (consumer prices) (2000E): 1.8% **(2001E):** 2.0%

Current Account Balance (2000E): \$80 million **(2001E):** \$200 million

Major Trading Partners: India, Japan, Saudi Arabia, South Korea, United Arab Emirates, United States, United Kingdom

Merchandise Exports (2000E): \$4.79 billion

Merchandise Imports (2000E): \$3.72 billion

Net Merchandise Trade Surplus (2000E): \$1.07 billion

Major Export Products: Petroleum products, aluminum

Major Import Products: Crude oil, consumer goods

ENERGY OVERVIEW

Minister of Oil and Industry: Shaikh Isa bin Ali bin Hamad al-Khalifa

Proven Oil Reserves (1/1/01): 148 million barrels

Oil Production (2000E): 37,000 bbl/d (of which 36,000 bbl/d was crude oil)

Oil Consumption (2000E): 28,000 bbl/d

Net Oil Exports (2000E): 9,000 bbl/d

Crude Oil Refining Capacity (1/1/01): 248,900 bbl/d

Natural Gas Reserves (1/1/01): 3.9 trillion cubic feet (Tcf)

Natural Gas Production (1999E): 297 billion cubic feet (Bcf)

Natural Gas Consumption (1999E): 297 Bcf

Electric Generation Capacity (1999E): 1.1 gigawatts (GW)

Electricity Production (1999E): 6.2 billion kilowatt hours (bkwh)

ENVIRONMENTAL OVERVIEW

Total Energy Consumption (1999E): 0.36 quadrillion Btu* (0.1% of world total energy consumption)

Energy-Related Carbon Emissions (1999E): 5.5 million metric tons of carbon (0.1% of world carbon emissions)

Per Capita Energy Consumption (1999E): 546.2 million Btu (vs. U.S. value of 355.8 million Btu)

Per Capita Carbon Emissions (1999E): 8.2 metric tons of carbon (vs. U.S. value of 5.5 metric tons of carbon)

Energy Intensity (1999E): 63,099 Btu/ \$1990 (vs U.S. value of 12,638 Btu/ \$1990)**

Carbon Intensity (1999E): 0.95 metric tons of carbon/thousand \$1990 (vs U.S. value of 0.19 metric tons/thousand \$1990)**

Sectoral Share of Energy Consumption (1998E): Industrial (67.6%), Transportation (11.8%), Commercial (6.5%), Residential (14.1%)

Sectoral Share of Carbon Emissions (1998E): Industrial (64.9%), Transportation (15.2%), Commercial (6.1%), Residential (13.8%)

Fuel Share of Energy Consumption (1999E): Natural Gas (85.0%), Oil (15.0%)

Fuel Share of Carbon Emissions (1999E): Natural Gas (81.1%), Oil (18.9%)

Renewable Energy Consumption (1998E): 0.00 trillion Btu

Status in Climate Change Negotiations: Non-Annex I country under the United Nations Framework Convention on Climate Change (ratified December 28, 1994). Not a signatory to the Kyoto Protocol.

Major Environmental Issues: limited natural fresh water resources are increasing dependence on large-scale desalination facilities.

* The total energy consumption statistic includes petroleum, dry natural gas, coal, net hydro, nuclear, geothermal, solar, wind, wood and waste electric power. The renewable energy consumption statistic is based on International Energy Agency (IEA) data and includes hydropower, solar, wind, tide, geothermal, solid biomass and animal products, biomass gas and liquids, industrial and municipal wastes. Sectoral shares of energy consumption and carbon emissions are also based on IEA data.

**GDP based on EIA International Energy Annual 1999

OIL AND GAS INDUSTRIES

Organization: Bahrain Petroleum Company (Bapco); Barhain Natural Gas Company (Banagas)

Major Foreign Oil Company Involvement: Chevron, Texaco, Petronas

Major Ports: Manama

Producing Oil Fields (production - bbl/d)(1999E): Awali (37,439 bbl/d)

Major Refineries (capacity - bbl/d): Manama (248,900)

Links

For more information from EIA on Bahrain, please see:

[EIA - Country Information on Bahrain](#)

Links to other U.S. government sites:

[CIA World Factbook - Bahrain](#)

[U.S. Department of Energy Office of Fossil Energy - International section - Bahrain](#)

[U.S. State Department Consular Information Sheet - Bahrain](#)

[U.S. State Department Country Commercial Guide - Bahrain](#)

[U.S. Embassy in Manama, Bahrain](#)

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[Government of Bahrain](#)

[Embassy of Bahrain - Washington, DC](#)

[Bahrain National Gas Company \(Banagas\)](#)

[Gulf Daily News, Manama, Bahrain](#)

[Planet Arabia.com](#)

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